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UNITED STATES DEPARTMENT OF AGRICULTURE  
Rural Electrification Administration  
Washington 25, D. C.

November 25, 1946

To : All REA Borrowers, System Managers, System Engineers,  
Contractors and Materials Suppliers

From : Claude R. Wickard, Administrator

Subject: Costs of Construction

Price increases announced within the past few days or weeks on certain construction materials have made it necessary to review all REA-financed construction projects to determine the effect of such increases on the feasibility of the loan. Inasmuch as it is impossible to predict price trends at the present time, utmost caution must be exercised by all REA borrowers in purchasing materials. Otherwise, we may very well find ourselves in a position in which our only alternative will be to halt construction until such time as some solution can be found that will bring construction costs within the range of feasibility.

It will be our policy to furnish borrowers with such advice and assistance as we may be able to offer on prevailing materials prices and their effect on construction costs. Prices for conductor, hardware, transformers and insulators are generally announced and available to REA as soon as they are placed in effect. This is not always the case, however, with respect to poles, log anchors and crossarms. It will, therefore, be necessary for borrowers to keep us advised of any price increases on these items if you are to be assured of advances to cover invoices in connection with your materials purchases.

It is definitely the responsibility of managers and directors to watch the markets and not to contract to purchase materials at prices above the lowest obtainable. You should obtain competitive prices from several reputable suppliers before placing your order, keeping in mind that in most cases there are several accepted makes or types of materials that will meet your needs equally well.

Materials should not be purchased except on a Materials Contract (REA form DS-18R4) which requires REA approval. There is no assurance that funds will be advanced for materials purchased in any other manner for, without a record of the materials on order, we have no way of knowing the effect that a price increase will have on the feasibility of a loan.

Every effort should be made to obtain firm prices on all materials. Where this is possible, the following changes should be made in the Materials Contract (REA form DS-18R4) and each change initialed by the purchaser and the supplier:

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2-All REA Borrowers, System Managers, System Engineers,  
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Strike out:

Paragraph 8 - page (b) 30 with the exception of the first sentence  
which should be retained.

Section 10 - Article IV - page (d) 7.

Section 11 - Article IV - page (d) 7.

The full cooperation of all interested parties is requested.

*Claude R. Wickard*